

March 23, 2016

Testimony before Senate Insurance Committee on HB 4636

Chairman Hune and Committee Members,

My name is Scott Hummel and I am here today on behalf of the Michigan Association of Insurance Agents (MAIA), an association representing 800 Independent Insurance Agencies located throughout Michigan. My sincere thanks for your time.

The MAIA is strongly opposed to HB 4636. This bill would **not** require an insurance producer license for "a person whose only sale of insurance is stored property insurance sold in connection with ... storage space in a self-service storage facility..." Language limits the insured value to \$10,000 or less and the coverage "is sold under a group or master policy issued to a self-service storage facility for the provision of insurance to its customers."

A similar bill last session made its way to the Governor's desk where it was vetoed. The Governor cites three reasons for the veto:

First, the legislation "...significantly weakens consumer protections." Second "...every policy contains a variety of terms, conditions and exclusions, (and) it is important that anyone attempting to sell this product understand it and be able to explain the coverage being offered." Finally, "exempting certain individuals from licensure as insurance agents based solely on the point of sale of the product may create an inequitable regulatory environment giving a distinct advantage to those individuals exempted from those regulations."

The new language attempts to address the Governor's concerns by adding self-storage customers as part of a policy as additional insureds. However, the agent is still very far removed in the process. However, more importantly, the agent's relationship is with the business owner, not the storage unit renter. MAIA believes that the legislation before you today does not address the reasons for the veto.

Supporters of this bill contend that the point of sale convenience for their customers is an appropriate reason for being exempted from licensing. **MAIA believes that to the contrary, this is why they shouldn't be exempted!** The same reasoning can be used for landlords and renters (this is already happening), for automobile dealers and buyers, and for realtors and home buyers. However, in each case, because of the potential for financial conflict and the complexity of the insurance product, state law requires that those professions I named and engaged in selling insurance to their clients must be licensed and must maintain separate business entities. This bill throws that reasoning out the window.

To be clear, MAIA believes SSF operators can and should be able to sell this insurance product to their clients (they are doing so now). However, we also believe they need to receive and maintain the same educational and licensing standards that all producers currently follow to sell insurance in Michigan in order to maintain an adequate understanding of the product they so desire to sell. That standard is not too hard to climb as there are over 200,000 licensed producers in Michigan.

Attached to my written testimony is the Governor's Veto letter of very similar legislation in 2015, an example of a "policy" one might receive when purchasing Self Storage Insurance from a Self-Storage Facility, an example of internet advertising for self-storage facilities and insurance, and an email interaction between an MAIA member and client regarding renter's insurance and where that is headed.

Opposing HB 4636 protects consumers, continues to provide DIFS oversight at the point of sale seller, and maintains consistency in the insurance regulatory environment. MAIA would appreciate your no vote to HB 4636.

Sincerely,



Scott Hummel
Sr. VP for Government Affairs/Membership
Michigan Association of Insurance Agents



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

January 14, 2015

Michigan House of Representatives
State Capitol Building
Lansing, Michigan 48913

Ladies and Gentlemen:

Insurance products, and the laws and regulations that apply to these products, are often complex. Because of this, and because these products are so important to Michiganders' financial well-being, those who sell insurance are subject to background checks, education requirements, and licensure. House Bill 4485 significantly weakens consumer protections by amending Michigan's insurance code to exempt operators of self-storage facilities that sell "stored property insurance" from licensure as insurance agents. (1)

Individuals may place a wide variety of property in storage units and need to be assured that the property is protected, just as it is in their homes. Given that a person may already have insurance that will cover this property, and that every policy contains a variety of terms, conditions and exclusions, it is important that anyone attempting to sell this product understand it and be able to explain the coverage being offered, as well as how it works with other insurance the person may have. (2)

While I understand there have been concerns expressed over the availability of this type of insurance, I believe this bill goes too far in attempting to correct the potential problem. Operators of self-service storage facilities have the option to license an employee, develop a relationship with a licensed agent, or provide referrals to licensed agents to their customers. *Solution*

Furthermore, exempting certain individuals from licensure as insurance agents based solely on the point of sale of the product may create an inequitable regulatory environment giving a distinct advantage to those individuals exempted from those regulations. For these reasons, I am vetoing House Bill 4485. (3)

Sincerely,

Rick Snyder
Governor

Note

The words "we," "us" and "our" refer to the **INSURANCE COMPANY.**

The **OPERATOR** of the self-service storage facility is the named insured.

The **CUSTOMER** is you, the renter listed on the facility's Rental Agreement. As the **CUSTOMER**, you are also an **ADDITIONAL INSURED** on the Operator's Insurance Policy.

What is Covered?

We cover direct loss to insured property by the following perils:

- Aircraft, Self-propelled Missiles or Spacecraft
- Collapse of Buildings containing the property insured
- Cyclone, Tornado or Hurricane
- Explosions or Sonic Boom
- Falling Objects, provided the exterior of the building containing the property is first damaged by such falling objects
- Fire or Lightning
- Landslide, including sinkhole collapse
- Smoke
- Strikes, Riot or Civil Commotion
- Vandalism or Malicious Mischief
- Vehicles: only insured property stored within vehicle while "in transit" to or from the storage facility
- Water Damage except flood, surface water, etc. and/or resulting mold, mildew, wet or dry rot
- Weight of Ice, Snow or Sleet
- Windstorm or Hail
- Earthquake



What Do You Do if You Have a Claim?

1. Report your claim to our agents at 800-792-0345
2. Tell the facility manager.
3. Report burglaries to the police and keep the police report.
4. Take photos of damage and create a file for yourself.

What will Our Agents Do?

1. Take your statement of loss.
2. Send you forms so you can document the loss.
3. Validate the loss.
4. Settle claims.

Included Coverage:

The following are included in your coverage limit, but do not increase the Amount of Insurance.

- Burglary: 100% of the amount of insurance for each insured loss by burglary or holdup. The term Burglary shall mean the act of stealing property by forcible entry in the storage space described in the Rental Agreement; however, this coverage only applies when such storage space is securely locked at the time of the forcible entry. Visible signs of forcible entry must be evident. Mere absence of a lock or padlock will not constitute forcible entry.
- Debris Removal: 20% of the amount of insurance under the policy can be used to cover the necessary expense incurred in the removal of debris from the property insured following an insured loss.
- Transit: 100% of the amount of insurance under the policy for loss by fire or by the collision or overturn of a motor vehicle or trailer upon which covered property is being transported while such property is in transit to or from the storage space, provided the property is within 100 miles of the described storage facility.
- Extra Rental Space: 20% of the amount of insurance under the policy to cover the extra expense necessarily incurred by the Customer for the rental of substitute storage when occupancy of the described storage space is prevented as a result of loss or damage to storage facility building by a peril insured against this policy.

What is Not Insured?

- Accounts, bills, currency, deeds, evidence of debt, evidence of ownership, contracts and titles, securities, negotiable instruments, money, lottery tickets, notes, animals, jewelry, watches, precious or semi-precious stones, furs, or garments trimmed with fur, motor vehicles, breakage of glass or similar fragile articles, illegal drugs, food alcohol and explosives.
- Against loss or damage caused by or resulting from wear and tear, gradual deterioration, maintenance, inherent vice, latent defect, moths, insects, rodents, vermin, mold, mildew, wet or dry rot, atmospheric condition and/or changes in temperature, delay, loss of use or loss of market.
- Against loss or damage caused by, resulting from, contributing to or aggravated by flood, surface water, waves, tidal water or tidal wave, or overflow of streams or other bodies of water including, but not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system, unless fire or explosion ensues, and then we will pay only for the ensuing loss.
- Loss or damage caused by cigarettes or other smoking materials, unless fire ensues.
- Loss or damage caused by the neglect of the Customer to use all reasonable means to save and preserve the property at and after the occurrence of any peril insured against, or when the Customer's property is endangered by an insured peril.
- Loss or damage caused intentionally by the Operator or at the direction of the Operator.
- Loss or damage of contraband, or caused by illegal transportation or trade.
- Loss or damage resulting from activity in violation of Lease Agreement.
- Loss or damage caused by theft or mysterious disappearance, except burglary as covered herein.
- Loss caused by nuclear hazards:
- Nuclear Hazard
- War

Handwritten notes: "100% NO DEDUCTIBLE" and "100% NO DEDUCTIBLE" with a checkmark.



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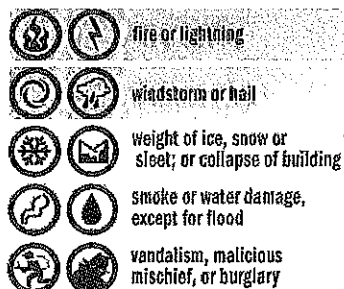
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Coloma

Open until 5:00 pm

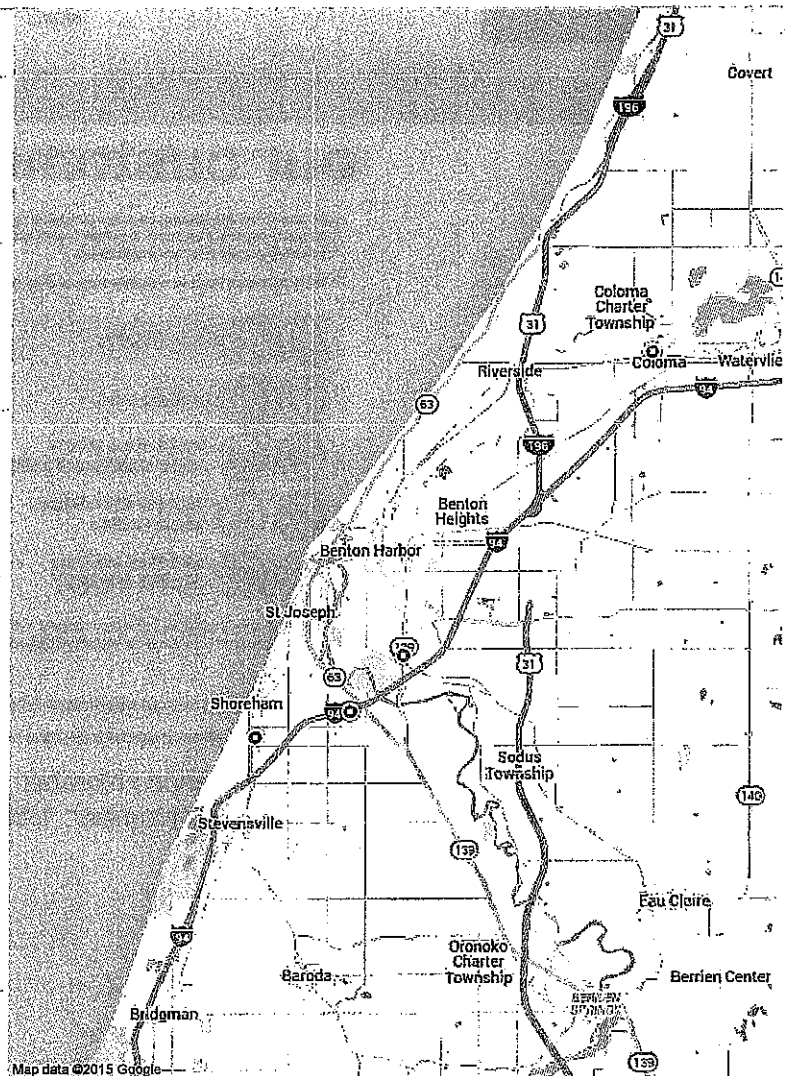
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Fw: RE: Renter's insurance

Tue, Aug 11, 2015 at 12:32 PM

To: Mike Brouwers <mike@brouwersagency.com>

This is what I could do through the company the apartment complex markets. Do you have a similar coverage?

— On Tue, 8/11/15, Land 3 <land3@land-co.com> wrote:

> From: Land 3 <land3@land-co.com>
> Subject: RE: Renter's insurance
> To:
> Date: Tuesday, August 11, 2015, 12:28 PM
> If you go through the
> company we market with called Assurant, the basic policy
> that includes just \$50,000 liability insurance is
> \$9.42/month or you can pay \$113 for the entire year.
>
> Dani DuBay
> Brookmeadow Apartment Homes
> 0-143 Brookmeadow North Lane
> (P) 616-457-8988
> (F)
> 616-457-4605
> land3@land-co.com
>
>
> —Original
> Message—
> From:
>
> Sent: Tuesday, August 11, 2015 12:18 PM
> To: Land 3
> Subject: RE:
> Renter's insurance
>
> Ok,
> and didn't you say Brookmeadow offered renter's
> insurance? If yes, how much was it in order to compare to
> what the insurance agent is telling me.
>
> On Tue, 8/11/15, Land 3 <land3@land-co.com>
> wrote:
>
> Subject: RE:
> Renter's insurance
> To:
>
> Date: Tuesday, August 11, 2015, 12:17 PM
>
>

↑

(over)

> We
> require liability insurance of \$50,000 for
> your apartment,
> not your personal
> property.
>
> Dani DuBay
> Brookmeadow
> Apartment
> Homes
> 0-143 Brookmeadow North
> Lane
> (P) 616-457-8988
> (F)
> 616-457-4605
> land3@land-co.com
>
> —Original
> Message—
>
>
> Sent: Tuesday, August 11,
> 2015 12:14 PM
> To: Land 3
>
> Subject:
> Renter's insurance
>
> Dani,
>
> I've
> been talking with an
> insurance agent and I had a question.
> The
> quote he gave me covers only my stuff and not the
> belongings of my roommates
> I
> Is that adequate for the
> renter's insurance we're
> required
> to have? Because you had said only one of us needs
> renter's insurance.

